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Spain

Tomatoes and Products

Annual

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Report Highlights:

Spain's tomato crop rose to 3.9 million tons in MY2002/3; some 1.56 million tons went for processing, which substantially exceeded the country's EU quota. Spain avoided EU overproduction penalties, however, because the poor Italian crop offset Spain's increase, thus keeping overall EU production for processing tomatoes within the total quota. Italy's short supplies also gave Spanish exports room to expand in both EU and third country markets. Spain may not be so lucky in MY2003/04. The amount of tomatoes processed is again likely to exceed the EU quota and if Italian production rebounds to normal levels, Spain may face hefty penalties in MY2004/05. In addition, renewed Italian competition may hurt Spain in the EU market in MY2003/04 while the falling dollar could cut into shipments to the U.S.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1], SP

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Executive Summary

Spain's tomato harvest amounted to 3.88 million tons in MY 2002/03, a gain of about 4 percent over the previous year; of this amount, some 2.32 million tons were consumed fresh and 1.56 million tons were delivered to processing plants. Deliveries to processors were 328,000 tons over the 1.24-million-ton quota established for Spain under the EU's program for processing tomatoes.

The large crop of processing tomatoes in MY 2002/03, combined with a smaller crop in Italy, encouraged exports, particularly paste tomatoes to EU countries and the U.S. Exports of fresh, canned and paste tomatoes to the U.S. rose in MY 2001/02, in comparison with MY 2000/01. In order to prevent competition from imports, Spanish producers are asking the EU not to increase import quotas for fresh tomatoes from Morocco.

Under the new CAP for processing tomatoes, subsidies are allocated to farmers instead of to industry. The new system is resulting a shift of output to areas with lower production costs. Looking forward to MY 2003/04, we expect that production will be over the previous season's levels for both fresh and processing

A large share of tomatoes is being processed by farmer cooperatives, which are located in areas with lower costs and higher productivity. These groups are planning to build new processing plants in the next few years.

NOTE: Current exchange rate is 1 euro = 1.18 U.S. dollar.

Production

PSD Table						
Country	Spain					
Commodity	Fresh Tomatoes				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2001		01/2001
Plnt For Fresh Consump	0	34500	0	32500	0	32000
Plnt For Processing	0	27000	0	27000	0	26200
TOTAL Area Planted	0	61500	0	59500	0	58200
Harv. For Fresh Cons.	0	34500	0	32500	0	32000
Harv. For Processing	0	27000	0	27000	0	26200
TOTAL Area Harvested	0	61500	0	59500	0	58200
Fresh Sale Production	0	2161700	0	2208900	0	2200000
Processing Production	0	1568200	0	1669500	0	1690000
TOTAL Production	0	3729900	0	3878400	0	3890000
TOTAL SUPPLY	0	3729900	0	3878400	0	3890000

PSD Table						
Country	Spain					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	1264757	1264757	1080500	1346846	0	1360000
Beginning Stocks	3709	3709	16987	16987	1933	487
Production	225849	225849	192946	240500	0	242848
Imports	8296	8296	4000	14000	0	15000
TOTAL SUPPLY	237854	237854	213933	271487	1933	258335
Exports	95867	95867	85000	144000	0	125000
Domestic Consumption	125000	125000	127000	127000	0	127000
Ending Stocks	16987	16987	1933	487	0	6335

TOTAL DISTRIBUTION	237854	237854	213933	271487	0	258335
PSD Table						
Country	Spain					
Commodity	Canned Tomatoes				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	234500	234500	219500	219500	0	220000
Beginning Stocks	7209	7209	3903	3903	3686	500
Production	195400	195400	182900	182900	0	183300
Imports	1144	1144	950	1400	0	2000
TOTAL SUPPLY	203753	203753	187753	188203	3686	185800
Exports	52494	52494	52000	64000	0	60000
Domestic Consumption	147356	147356	132067	123703	0	121000
Ending Stocks	3903	3903	3686	500	0	4800
TOTAL DISTRIBUTION	203753	203753	187753	188203	0	185800

In MY 2002/03, Spain increased tomato production for both fresh consumption and processing, as good weather conditions offset a drop in crop area. Some 1.56 million tons were delivered to processing plants, which was 328,000 tons over the quota established for Spain under the EU program for processing tomatoes. For MY 2003/04, we expect a larger crop of tomatoes for processing -- despite a drop in area planted -- due to favorable weather conditions and improvements in yields. During the last four years yields rose from 54 tons per hectare to about 61 tons per hectare. The production subsidy for MY 2003/04 has been set at 34.5 euros /ton. In addition, producers received a payment of about 50 euros per ton of processing tomatoes. Improvement in mechanization, as well as new varieties and technologies, are increasing yields and productivity. Production of canned tomatoes under the new CAP for processing tomatoes will be located more and more in Extremadura, a region in western Spain where land and water are abundant. In MY 2002/03, Extremadura produced about 1.25 million tons of processing tomatoes, accounting for 80 percent of the national total. A large share of tomatoes is processed by farmer cooperatives, which are located in areas with lower costs and higher productivity. In addition, farmer cooperatives are planning to build new processing plants in the next few years. Spain has a large potential to increase tomato production.

Prices paid by processors to farmers were unchanged in MY 2003./04: 50.33 euros (\$59.38) per ton of tomatoes for paste and 78 euros (\$92) per ton for tomatoes for peeled whole. In addition to the market price, in MY 2002/03 farmers also received an EU subsidy of 34.50 euros (\$40.71) per ton of fresh tomatoes for processing into paste, whole peeled or most other tomato products. At these rates, farmers delivering to processors receive about 59 percent of their income from the market and 41 percent from EU subsidies.

For 2002/03, processors received 1,566,346 tons of fresh tomatoes, of which 63,249 tons were processed into whole peeled tomatoes and 1,503,097 tons into paste and other tomato products. Processors expect larger deliveries in MY

2003/04.

Reservoirs in production areas should have enough water to meet demand from tomato farmers during the next few years. The cost of labor, currently about \$8.50 per hour, is encouraging mechanization and new methods to harvest the crop. In addition, the planting of new varieties has increased yields. Heavy rains in April 2003, followed by dry weather at the end of the month, improved planting conditions. The weather in May has also been very dry, which is favorable for the crop.

Supply and distribution data are on a 28/30 tomato solid content basis. About 80 percent of tomato paste production in Spain is 28-30 percent TSS double concentrated level paste, and 20 percent is the triple concentrate level of 36-38 percent TSS.

An estimated 1.2 kilograms of fresh tomatoes are currently yielding about one kilogram of canned peeled tomatoes, net weight basis. TSS tomato paste (28-30 percent) is produced at an average industrial rate of 1 kilo for every 5.6 kilos of fresh tomatoes. "Tomate frito" is produced from this paste at a rate of a 2.15 kilos for every 1 kilo of TSS tomato paste, while the same amount of paste will yield 0.3 kilos of tomato powder. In trade statistics, a conversion factor of .85 for 1.0 ton of gross weight has been used to get net weight.

Prices Table			
Country	Spain		
Commodity	Fresh Tomatoes		
Prices in	Euros	per uom	MT
Year	2001	2002	% Change
Jan	465	758	63.01%
Feb	421	832	97.62%
Mar	434	1290	197.24%
Apr	496	888	79.03%
May	369	472	27.91%
Jun	643	287	-55.37%
Jul	432	258	-40.28%
Aug	156	207	32.69%
Sep	157	230	46.50%
Oct	295	608	106.10%
Nov	492	492	0.00%
Dec	720	596	-17.22%
Exchange Rate	1.18	Local currency/US \$	

Consumption

Consumption of canned whole peeled tomatoes has declined dramatically in the last few years, as consumers shifted to more convenient crushed and diced tomatoes. Convenience is also a factor in growing consumption of "tomate frito," a consumer-ready sauce often used with pasta, rice, fried eggs and many other dishes. Pasteurized gazpacho (a ready-to-eat, processed cold soup) has been a big hit with consumers, with sales climbing again by about 40 percent in CY 2002 and 60 percent in the last two years. Consumption of fresh tomatoes is also expanding in salads and as a fruit due to higher quality of new varieties. For the next few years, new increases in the consumption of both fresh and processed tomatoes are expected due to an increase in the number of tourists, about four percent more for 2003, and to new product development.

Trade

Trade, Fresh Tomatoes

In CY 2002, Spanish exports of fresh tomatoes declined while imports rose due to lower higher prices in production areas. The bulk of exports went to other EU markets, with Germany, Netherlands, the United Kingdom and France being the main destinations. Exports of fresh tomatoes to the United States rose by about 23 percent. Imports were relatively unimportant, supplied mostly from Morocco and Portugal. Exports of fresh tomatoes should continue to expand during the next few years as producers further specialize in meeting the stringent requirements of EU supermarkets. According to producers, the production of "cherry tomatoes," a product much valued in Northern Europe, could rise another 5 percent in CY 2003. Some Dutch companies have been investing in green houses to produce tomatoes; these investment could result in larger exports of fresh tomatoes in the next few years.

Import Trade Matrix			
Country	Spain		
Commodity	Fresh Tomatoes		
Time period	CY	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Portugal	208526		34148
Morocco	6914		6140
France	4603		2006
Germany	1587		1893
Netherlands	1119		1313
Belgium	515		979
UK			114

Total for Others	223264		46593
Others not Listed	181		70
Grand Total	223445		46663

Export Trade Matrix			
Country	Spain		
Commodity	Fresh Tomatoes		
Time period	CY	Units:	MT
Exports for:	2001		2002
U.S.	5699	U.S.	7036
Others		Others	
Germany	244481		212733
Netherlands	215824		177732
UK	187816		173763
France	162334		145167
Portugal	45356		40918
Czech Republic	32604		26461
Italy	21001		21227
Poland	28761		20980
Belgium	17231		14813
Total for Others	955408		833794
Others not Listed	80247		69672
Grand Total	1041354		910502

Trade, Processed Tomatoes

In MY 2001/02, exports of tomato paste rose by about 5 percent compared to the previous year. Exports of canned tomato paste remained stable. For MY 2002/03, a dramatic increase in both paste tomatoes and canned tomatoes is expected due to a lower production in Italy. In MY 2001/02 import of paste tomatoes declined dramatically despite larger imports from China. Spanish processors are very concerned about imports from China, which they believe could be a very strong competitor in the next few years. Imports of whole peeled tomatoes declined again due to lower local consumption. Most exports of canned tomatoes and tomato paste in MY 2001 went to other EU countries. Exports to the U.S. of paste tomatoes rose by about 63 percent in MY 2001/02, while exports of canned tomato rose only by about 9 percent. For MY 2003/04 a decline in exports of both paste and canned tomatoes is expected due to the strength of the euro and to an expected rebound of processing tomatoes in Italy.

Import Trade Matrix			
Country	Spain		

Commodity	Tom. Paste,28-30% TSS Basis		
Time period	MY	Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Portugal	15437		2504
China	0		4645
Italy	500		449
Total for Others	15937		7598
Others not Listed	1840		696
Grand Total	17777		8294

Export Trade Matrix			
Country	Spain		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period	MY	Units:	MT
Exports for:	2000		2001
U.S.	3751	U.S.	6135
Others		Others	
Germany	18641		21711
France	17237		20962
UK	15452		11278
Netherlands	7685		7589
Italy	4863		6496
Sweden	5440		3459
Japan	2864		3437
Portugal	2492		2958
Total for Others	74674		77890
Others not Listed	12293		11840
Grand Total	90718		95865

Import Trade Matrix			
Country	Spain		
Commodity	Canned Tomatoes		
Time period	MY	Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Italy	1381		862
Portugal	202		206
Total for Others	1583		1068
Others not Listed	70		76
Grand Total	1653		1144

Export Trade Matrix			
Country	Spain		
Commodity	Canned Tomatoes		
Time period	MY	Units:	MT
Exports for:	2000		2001
U.S.	2885	U.S.	3166
Others		Others	
France	27222		26190
Portugal	5275		5520
Canada	4988		3891
UK	3626		3891
Luxemburg	2488		3002
Total for Others	43599		42494
Others not Listed	5582		6509
Grand Total	52066		52169

Stocks

In MY 2002/3, the surge in exports of both paste and canned tomatoes caused a sharp drop of stocks.

Policy

Under the current CAP for processing tomatoes, subsidies are allocated to farmers instead of to industry. The new system is resulting in larger production in areas with higher productivity, as well as a larger total production of tomatoes for processing. In MY 2002/03, farmers delivered 1.56 million tons for processing, which was 328,000 tons over the quota of 1,238,606 tons set for Spain under the EU's program for processing tomatoes. However due to the fact that the amount of tomatoes delivered for processing in the EU was lower than the overall EU quota, no penalty was imposed to Spanish producers during MY 2003/04. The net subsidy will thus amount to 34.50 euros (\$40.71) per ton of fresh tomatoes for processing into paste or in other tomato products. Tomatoes delivered for processing into whole peeled tomatoes will receive also the full subsidy of 34.50 euros (\$40.71) per ton.

According to processors, the amount of fresh tomatoes delivered to their plants in MY2003/04 should be about 1.67 million tons, which would again exceed the EU quota by over 430,000 tons. If this occurs, the subsidy for MY 2004/05 may be penalized.

The tomato processing industry also receives an EU subsidy in the form of an operational fund. This fund is set at a maximum of 4.1 percent of sales. For example, if farmers deliver 1.56 million tons of fresh tomatoes to processors in MY 2002/03 at a price of 50 euros per ton, total sales would amount to 78 million euros. The EU operational fund could reach 4.1 percent of this amount, or nearly 3.2 million euros. The fund can be used to construct new irrigation systems, or improve mechanization.

Marketing

Due to the high level of EU subsidies received by Spain's tomato processing industry, there is little market potential for U.S. exports. Nevertheless, opportunities exist for some tomato-based flavorings, such as barbecue or other American-style sauces.